

Collateral Monitoring for Public Monies Held Under 31CFR Part 202

Presented By

*Department of the Treasury
Financial Management Service*

*The Federal Reserve Bank
of St. Louis*

Roles and Responsibilities

Bureau of the Public Debt

- ◆ Acceptable Collateral
and Collateral
Valuation

Financial Management Service

- ◆ Collateral Policy and
Agency Account
Maintenance

- ◆ Collateral Monitoring

Collateral Monitoring for Public Monies Held Under 31CFR Part 202

Reasons For Changes To Collateral Monitoring

Collateral Monitoring for Public Monies Held Under 31CFR Part 202

National Customer Service Area (NCSA)

The Federal Reserve Bank of St. Louis

TIP 31CFR202 *fmr Treasury Circular 176*

- Treasury Relations
- Review Current Process
- TIP Overview
- Financial Institutions Monitored
- Pledgee Security Accounts (PSA)
- Amounts To Be Collateralized (ATBC)
- Market Valuation
- Collateral Deposits

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TIP 31CFR202 *fmr Treasury Circular 176*

- Collateral Withdrawals
- Collateral Monitoring
- Maturing Collateral
- Additional Features
- Summary
- Questions?

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TIP 31CFR202 Accounts

Treasury Relations

Treasury Relations
Functional Organizational Chart

Judie Courtney
Assistant Vice President

Harriet Siering
Manager

NCSA Collateral
Monitoring
Glen Owens
Margie Thedford

TT&L NCSA
Kelly Ryan
Michael Johnson
Kathy Stogner

Trainers
John Hussey
Carrie Andert
James Peera

CBAF
Manager
Mary Kuni

TIP 31CFR202 Accounts

NCSA Collateral Monitoring Unit

Glen Owens

Assistant Manager

Margie Thedford

Analyst

Technicians

Dianne Harrison

Cynthia Hill

Langston Scott

Mary Shields

1-888-568-7343

JoEllen Snover

Natalie Taylor

Becky Theis

TIP 31CFR202 Accounts

Review Current Process

- Pledgee Security Account (PSA)
 - ◆ Authorized and assigned by FMS
 - ◆ Opened to Financial Institution by local FRB (obtain 5902 & 5903)
- Local FRB performs eligibility analysis of collateral deposits
- Collateral Value is NOT reported by FRB Safekeeping Systems on a market value basis
- Agency monitors collateral levels in PSA

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TIP 31CFR202 Accounts

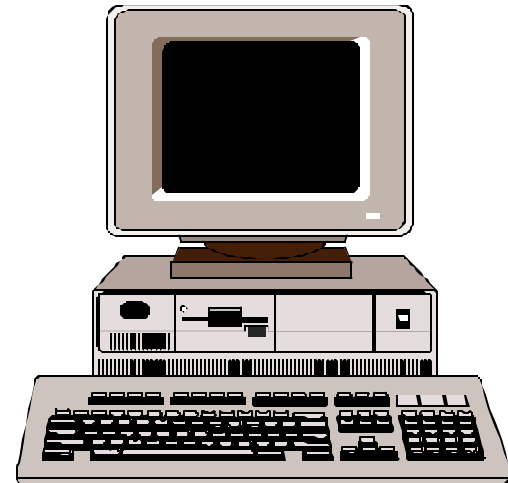
Review Current Process

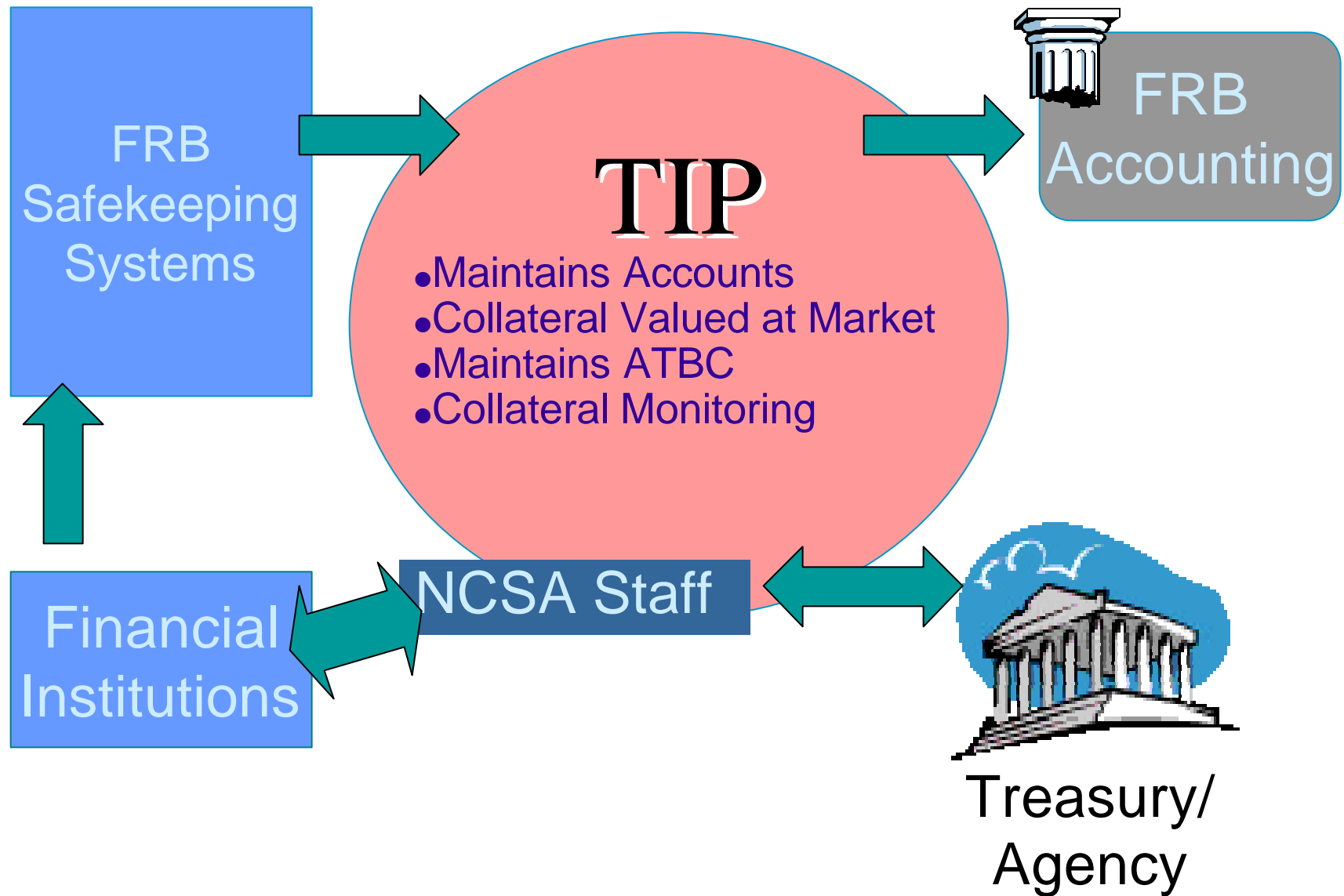
- Agency works with Financial Institution if Pledgee Security Account is deficient
- Agency provides local FRB with detailed authorization for collateral deposits and withdrawals

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Treasury Investment Program

- Overview
- 31CFR202 Process
- Additional Features





TIP 31CFR202 Accounts

Financial Institutions Monitored

- Any Financial Institution (FI) holding Government Deposits in excess of \$100,000 (FDIC coverage) covered under 31CFR202
- The FI is required to have executed FMS Forms 5902 & 5903 on file with NCSA before collateral is deposited and funds are moved

TIP 31CFR202 Accounts

Pledgee Security Accounts

- TIP receives Pledgee name and address file updates from FRB Safekeeping Systems each morning
- NCSA may add or update a Pledgee's account in TIP
- NCSA will maintain a database, containing names and contact phone numbers for all Pledgors (financial institutions) and Pledgees

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TIP 31CFR202 Accounts

Pledgee Security Accounts

- NCSA will work with FMS to maintain and annually update the authorization lists for 31CFR202 accounts
- Agencies should supply any required updates to authorized individuals or certifying officials timely to FMS
- NCSA will obtain and monitor FMS forms 5902 & 5903

TIP 31CFR202 Accounts

Pledgee Security Accounts

- FRB Safekeeping Systems provide TIP with hourly aggregate par and collateral value updates for each PSA

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TIP 31CFR202 Accounts

Amount To Be Collateralized

- Agency determines Amount To Be Collateralized (ATBC)
- Factors in determination of ATBC
 - ◆ FDIC Insurance on \$100,000 per relationship
 - ◆ FDIC Insurance applies to FI charter not branch
 - ◆ Aggregate all accounts with FI

TIP 31CFR202 Accounts

Amount To Be Collateralized

- Financial Institutions must pledge collateral with a **collateral value** equal to or greater than the ATBC
- Agency monitors balances at Financial Institution and notifies NCSA of changes in the ATBC

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TIP 31CFR202 Accounts

Market Valuation

- TIP will value collateral with current market prices and collateral margins
- On mark to market overnight collateral value changes, TIP will notify NCSA of any deficiencies on the first collateral monitoring process of the day

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TIP 31CFR202 Accounts

Market Valuation

- NCSA will contact the Financial Institution to request additional collateral be deposited if a deficiency is detected by TIP

Collateral Deposits

- FRB Safekeeping Systems Deposit -
The NCSA or the local FRB performs an eligibility review upon receipt of each security deposit transaction
 - ◆ If eligible, TIP will receive updated collateral value for PSA with next collateral update
 - ◆ If ineligible, the securities are returned to the Financial Institution

TIP 31CFR202 Accounts

Collateral Deposits

- Agency does not need to contact FRB to provide prior instructions for a deposit
- If verification is needed for a funds transfer to a Financial Institution, NCSA will notify Agency when the deposit is received

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TIP 31CFR202 Accounts

Collateral Withdrawals

- Each Financial Institution withdrawal request must be approved by NCSA
- If a withdrawal would cause a deficiency, the NCSA will
 - ◆ Inquire into FRB Safekeeping Systems to confirm that TIP has the latest collateral value
 - ◆ Contact the FI for a substitution or clarification
 - ◆ If needed, contact the Agency to confirm ATBC

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TIP 31CFR202 Accounts

Collateral Withdrawals

- Agency does not need to contact FRB with detailed withdrawal instructions
- NCSA will not release the collateral if a deficiency would occur
- If NCSA determines a deficiency will NOT occur, the withdrawal request will be released
- Agency is not contacted unless the NCSA requires verification of ATBC

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TIP 31CFR202 Accounts

Collateral Monitoring

- TIP performs collateral monitoring;
 - ◆ Beginning of day, based on previous night's actual end of day FRB Safekeeping Systems update
 - ◆ Hourly, beginning at 10:50am ET based on FRB Safekeeping Systems update extracted on the hour
 - ◆ End of TIP collateral monitoring day, 5:50pm ET, based on FRB Safekeeping Systems update extracted at 5:00pm ET

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TIP 31CFR202 Accounts

Collateral Monitoring

- TIP will notify the NCSA of any detected deficiencies
- NCSA will perform inquiry in FRB Safekeeping Systems to verify current collateral value
- NCSA will contact the Financial Institution with a Collateral Deficiency to arrange for deposit of additional collateral

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TIP 31CFR202 Accounts

Collateral Monitoring

- If agreement on ATBC cannot be reached with Financial Institution, NCSA will contact Agency to confirm ATBC

TIP 31CFR202 Accounts

Maturing Collateral

- NCSA will contact Financial Institutions with upcoming maturities to request a substitution
- On maturity date, local FRB contacts NCSA for approval to release the collateral
 - ◆ NCSA will perform inquiry to verify current collateral value
 - ◆ If there is no deficiency, NCSA will authorize release
 - ◆ If a deficiency would occur, the NCSA will contact the FI about a substitution

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TIP 31CFR202 Accounts

Maturing Collateral

- If agreement cannot be reached with Financial Institution on ATBC, NCSA may contact Agency to confirm ATBC
- Securities or Proceeds are NOT released until the projected deficiency is resolved

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TIP 31CFR202 Accounts

Additional Features

- TIP will support funds transfer for Compensating Balances by crediting the FI's Reserve account and debiting the TGA, at the direction of the Treasury, and after sufficient collateral has been deposited
- TIP will support performing an Automatic Collateral Deficiency Withdrawal of funds from the FI's Reserve account for selected 31CFR202 accounts

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TIP 31CFR202 Accounts

Summary

- TIP collateral values include a market valuation calculation
- Collateral values are updated hourly throughout the TIP processing day
- NCSA will handle collateral transactions with the Financial Institutions
- NCSA is central contact point for Agencies

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TIP 31CFR202 Accounts

Summary

■ Contact NCSA

1-888-568-7343

■ Hours of Operation

8:00am to 7:00pm ET



TIP 31CFR202 Accounts

Questions?



Contacts

■ Financial Management Service

- ◆ 202-874-6590
- ◆ www.fms.treas.gov/collateral

■ The Federal Reserve Bank of St. Louis

- ◆ National Customer Service Area (NCSA)
1-888-568-7343

■ Bureau of the Public Debt

- ◆ 202-691-3632
- ◆ www.publicdebt.treas.gov